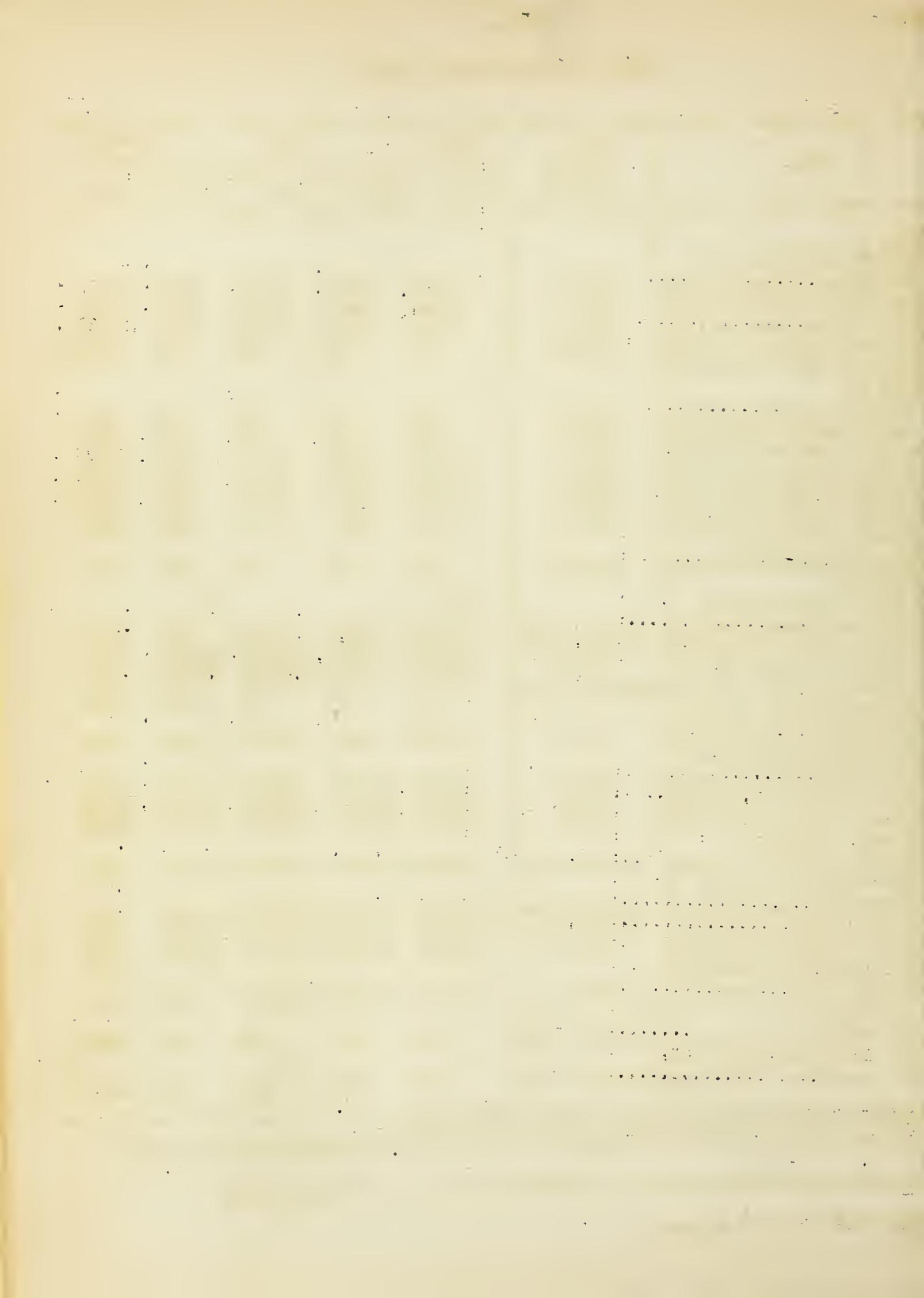


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# THE Cotton SITUATION

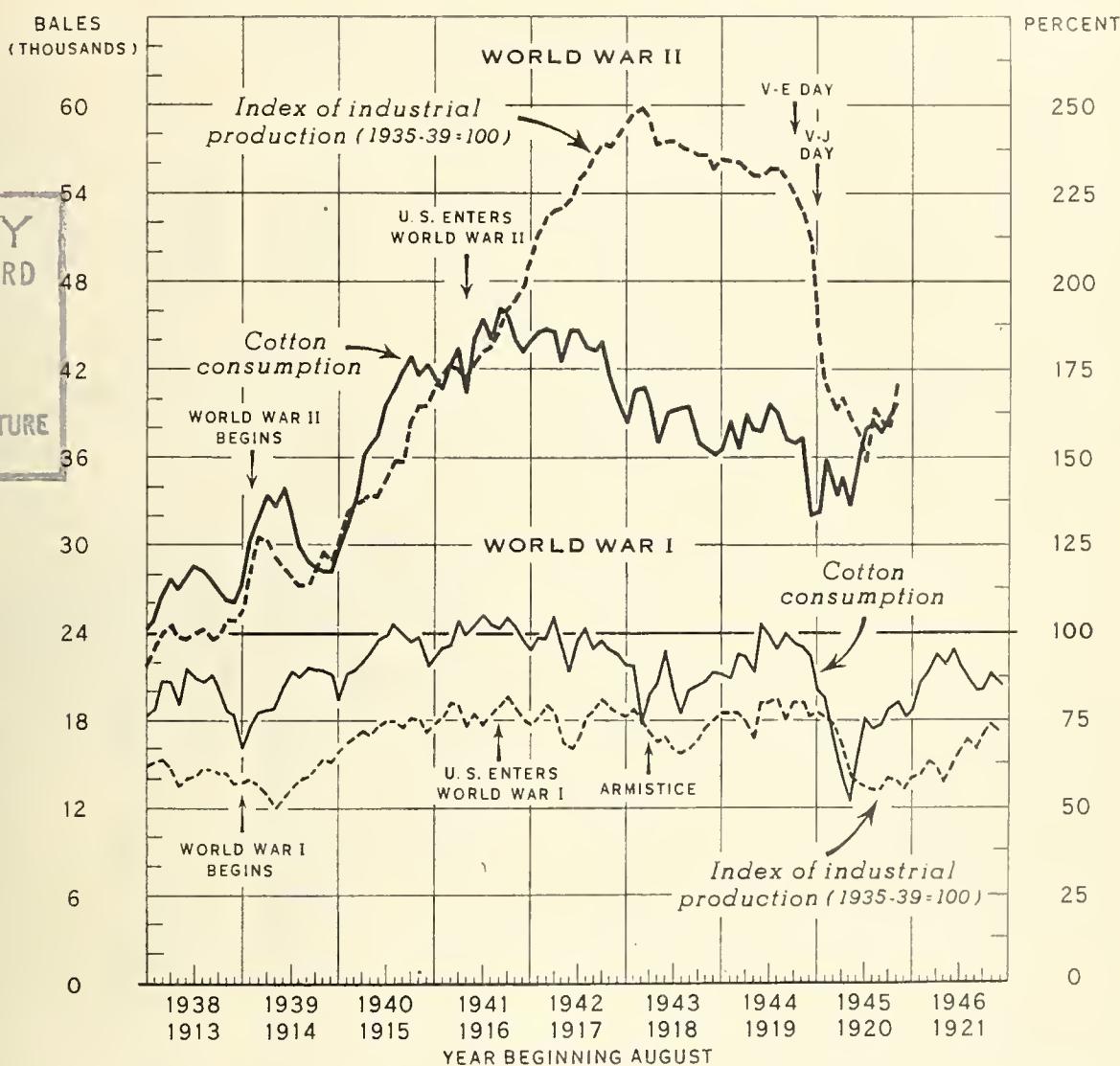
BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

CS - 112

BAE

AUGUST 1946

DAILY RATE OF COTTON CONSUMPTION COMPARED WITH INDEX OF INDUSTRIAL PRODUCTION, BY MONTHS, AUGUST 1913 THROUGH JULY 1922 AND AUGUST 1938 THROUGH JUNE 1946



U.S. DEPARTMENT OF AGRICULTURE

NEG. 46103

BUREAU OF AGRICULTURAL ECONOMICS

Changes in the level of cotton consumption roughly paralleled changes in the level of industrial production through most of World War I and through the early stages of World War II. After April 1942, intensive mobilization for war and the consequent shortages of labor and material curtailed textile production. The ending of the war, followed by labor difficulties, reduced industrial production by early 1946 to a level bearing about the same relationship to cotton consumption as had existed in 1939. Deferred demand for textiles and increased availability of labor after V-J Day, resulted in an upturn in cotton textile production. This upturn is similar to that after World War I, which lasted until the spring of 1920, when cotton consumption started a decline which carried it below the 1913 level.

## MONTHLY STATISTICAL SUMMARY FOR COTTON

Item	Unit or base period	1945		1946		Pct. of year ago 1/	
		July	May	June	July		
		:	:	:	:		
Prices:	:	:	:	:	:		
Middling 15/16-inch, 10 markets .....	Cent	22.59	27.44	29.15	33.40	147.8	
Farm, United States .....	Cent	21.25	24.09	25.98	30.83	145.1	
Parity .....	Cent	21.45	22.82	23.31	24.68	115.1	
Farm, percentage of parity .....	Percent	99	106	111	125	126.3	
Premium of 1-1/8-inch over basis 2/:	:	:	:	:	:		
Memphis .....	Point	400	130	175	188	47.0	
Carolina "B" mill area .....	Point	565	300	316	328	58.1	
Cloth, 17 constructions .....	Cent	42.32	50.79	50.79	58.14	137.4	
Mill margin, 17 constructions .....	Cent	20.04	23.73	22.01	24.97	124.6	
Cottonseed, farm price .....	Dollar	55.00	49.60	51.50	60.00	109.1	
Cottonseed, parity .....	Dollar	39.00	41.50	42.40	44.90	115.1	
Cottonseed, farm pct. of parity .....	Percent	141	120	121	134	95.0	
Consumption:	:	:	:	:	:		
All kinds during month, total .....	1,000 bales	673.0	371.6	792.7	730.0	108.5	
All kinds cumulative, total .....	1,000 bales	9,567.9	7,643.4	8,436.1	9,166.1	95.8	
All kinds per day, total .....	Bale	37,394	38,736	39,633	33,180	88.7	
All kinds, annual rate .....	Million bales	8.2	9.9	10.1	8.5	103.7	
American-Egyptian cotton, total .....	Bale	3,124	1,783	1,063	969	31.1	
American-Egyptian, cumulative .....	Bale	43,533	17,350	18,413	19,382	44.5	
Foreign cotton, total .....	Bale	10,376	21,259	20,852	19,468	187.6	
Foreign cotton, cumulative .....	Bale	119,501	156,525	177,377	196,845	164.7	
Stocks, end of month:	:	:	:	:	:		
Consuming establishments .....	1,000 bales	1,963.5	2,331.8	2,280.9	2,282.1	116.2	
Public storage and compresses .....	1,000 bales	8,375.2	6,410.4	5,381.6	4,464.5	53.3	
Total 3/ .....	1,000 bales	10,338.7	8,742.2	7,662.5	6,746.6	65.3	
Egyptian cotton, total 3/ .....	Bale	58,937	53,734	53,763	40,577	68.8	
American-Egyptian cotton, total 3/ .....	Bale	31,634	11,265	7,684	5,677	17.9	
Index numbers:	:	:	:	:	:		
Cotton consumption .....	: 1935-39 = 100	123	149	152	127	103.3	
Prices paid, interest, and taxes .....	: 1910-14 = 100	173	185	188	199	115.0	

1/ Applies to last month for which data are available.

2/ Premiums for Middling 1-1/8 inch, based on near active month futures at New York.

3/ Includes only stocks in mills and public storage and at compresses.

Compiled from official sources.

## ANNUAL STATISTICAL SUMMARY FOR COTTON

Item	Unit or base period	Year beginning August			
		5-year	1944	1945 1/	
		average	Actual	As a percent of 1944	
Prices:	:	:	:		
Middling 15/16-inch, 10 markets .....	Cent	16.04	21.36	25.96	118.8
Farm, United States .....	Cent	14.99	20.73	22.52	108.6
Parity .....	Cent	17.87	21.30	2/22.31	104.7
Farm, percentage of parity .....	Percent	84	97	101	103.7
Cloth, 17 constructions .....	Cent	34.11	42.41	47.52	112.0
Mill margin, 17 constructions .....	Cent	18.09	20.82	21.90	105.2
Cottonseed, farm price .....	Dollar	3/37.65	3/52.70	3/51.10	97.0
Cottonseed, parity .....	Dollar	3/32.32	3/38.67	3/40.10	103.7
Cottonseed, farm, pct. of parity .....	Percent	3/ 116	3/ 136	3/ 127	93.5
Consumption:	:	:	:		
All kinds .....	1,000 bales	9,943.8	9,567.9	9,166.1	95.8
American-Egyptian cotton .....	Bale	37,748	43,533	19,382	44.5
Foreign cotton .....	Bale	151,059	119,501	196,845	164.7
Cotton spindle activity:	:	:	:		
Spindles in place, monthly average .....	Thousand	24,103	23,145	23,818	102.9
Active spindles, monthly average .....	Thousand	22,720	22,206	21,836	98.3
Percentage active .....	Percent	94.3	95.9	91.7	95.6
Hours operated, total .....	Million	9,799	9,325	8,773	94.1
Hours per spindle in operation .....	Hour	431	420	388	92.4
Carry-over, all kinds end of year:	1,000 bales	10,954.3	11,163.7	7,521.7	67.4
Stocks end of year:	:	:	:		
Consuming establishments .....	1,000 bales	1,818.0	1,963.5	2,282.1	116.2
Public storage and compresses .....	1,000 bales	8,487.3	8,375.2	4,464.5	53.3
Elsewhere .....	1,000 bales	649.0	825.0	775.0	93.9
Egyptian cotton, total 4/ .....	Bale	44,464	58,937	40,577	68.8
American-Egyptian cotton, 4/ .....	Bale	31,281	31,634	5,677	17.9
Index numbers:	:	:	:		
Cotton consumption .....	: 1935-39 = 100	149	144	138	92.6
Spindle activity 5/ .....	Percent	118.4	117.6	106.6	90.0
Prices paid, interest, and taxes .....	: 1910-14 = 100	144	172	180	104.7

1/ Preliminary. 2/ Average of monthly data. 3/ Year beginning July 1. 4/ Includes only stocks in mills and public storage and at compresses. 5/ Based on 80-hour week operation.

Compiled from official sources.

THE COTTON SITUATION

Approved by the Outlook and Situation Board, August 28, 1946

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## SUMMARY

The price of Middling 15/16 inch cotton at the ten spot markets reached a new high since the early 20's of 36.04 cents a pound on August 9, the day after the Department of Agriculture released its first estimate of the 1946 cotton crop. The 1946 crop forecast on August 8 was 9,290,000, (500-pound gross weight) bales, 3 percent more than the 1945 crop of 9,015,000 bales. The estimated 1946 crop is the equivalent of about 9,050,000 running bales.

On July 31, the Secretary of Agriculture announced that under the 1946 cotton loan program the average loan rate for Middling 7/8 inch cotton, gross weight, will be 22.83 cents a pound, 92-1/2 percent of the August 1, 1946, parity price. This loan rate compares with last year's 19.84 cents. The 1946 loan rate for Middling 15/16 inch cotton is 24.38 cents a pound. Location differentials under the new loan program provide a high of 24.94 cents a pound for Middling 15/16 inch cotton, gross weight, in the concentrated mill area of the Carolinas and for a low of 23.69 cents in Arizona and California.

Mill consumption of all kinds of cotton during the 1945-46 marketing season was reported by the Bureau of the Census on August 21 at 9.2 million bales. This is 400,000 bales less than the 9.6 million bales consumed in the 1944-45 season. A large number of the mills were shut down for all, or a large part, of the July 4th week in order to give employees a longer holiday, to make needed repairs, and to clean up mills. The Civilian Production Administration estimates that cloth production in the week ending July 6 totaled less than one-fourth of the weekly rate for the remainder of the month. On this basis, it is assumed that mills averaged about 1-1/2 working days during

the week ending July 6 and a total of 19-1/2 working days for July, in contrast to the Federal Reserve figure of 22 days. With 19-1/2 working days, the daily rate of mill consumption, converted to an annual basis, amounted to about 9.5 million bales which compares with the June rate of 10.1 million bales and actual consumption of 9.2 million bales during the 1945-46 marketing season. Exports for the 1945-46 marketing season totaled 3.5 million bales, excluding small War Department shipments while imports totaled 342 thousand bales.

The U. S. carry-over on August 1 was reported by the Bureau of the Census at 7.52 million bales. This carry-over plus the prospective 1946 crop of 9,050 thousand running bales places supplies for the 1946-47 marketing year (excluding imports) at 16.57 million bales, 3.40 million bales below last season and the lowest since 1927.

Cotton consumption roughly paralleled industrial production through most of World War I and the early stages of World War II. However, after April 1942, this relationship was broken. Industrial production continued upward to a level almost 2-1/2 times that of 1939 while cotton consumption declined largely as a result of the more complete mobilization of labor and materials in support of other industry during World War II. Demobilization and labor difficulties during the past marketing year materially reduced industrial production compared with cotton consumption. In the months ahead, however, a very strong deferred demand for consumer durables may mean that the index of industrial production will remain comparatively high relative to cotton consumption.

The prewar trend was toward a decreasing proportion of cotton in the total U. S. consumption of cotton, rayon and wool. This trend was reversed

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during the early years of the war when cotton consumption increased as a percentage of the total of the three fibers. More recently, however, the longtime trend has been resumed. By the second quarter of 1946, cotton consumption accounted for about 75.3 percent of the total compared with 82.0 percent in 1942, the year when cotton consumption reached its peak, and 80.9 percent in 1939.

During the war, broad-woven goods accounted for a decreasing proportion of total cotton consumption. This development is continuing as the result of increased proportions being used in production of tire cord and fabrics, insulation, and automotive batts. Within broad woven goods, adjustments to postwar conditions are being carried out. Since the end of the war, production of duck and narrow sheeting fabrics has fallen off as a percentage of the total, while production of colored yarn goods, wide fabrics, and napped goods has increased. Larger proportions of broad-woven goods production than in 1937 are now being devoted to the production of fine goods and specialties in response to the higher level of postwar incomes and differentials under price ceilings. An important development, from the standpoint of cotton consumption in relationship to the yardage of fabric produced, is a shift from heavier to lighter types of cloth. As a result of this shift, a smaller quantity of raw cotton will be required to produce a given yardage of broad-woven goods during the 1946-47 season than during the 1945-46 season.

The Civilian Production Administration in its July report estimated third quarter production of broad-woven goods at 2,240 million yards, but in light of more recent developments this estimate may be a little high. Foreign and domestic needs for both textiles and yarns continue strong. In order to meet foreign and certain high-priority domestic needs, CPA has

provided for third quarter set-asides equivalent to a little less than half of estimated cloth production and three-fourths of the sales yarn production. Mill consumption of all kinds of cotton may total as much as 9.7 million bales this calendar year because of the strong demand for yarn and cloth, and governmental programs promoting the use of cotton for insulation, automotive batts, and writing paper. The situation in the last half of the 1946-47 marketing year is uncertain.

On August 1, Commodity Credit Corporation had on hand requisitions for export totaling about three-quarters of a million bales of cotton. Registered sales and consignments of cotton under the export program for shipment after August 1 probably amounted to around 4.1 million bales. While it is too early to forecast total exports for the 1946-47 season, it does not appear that they will exceed the 3.5 million bales exported this last season and they may be less.

On the basis of current prospects, the domestic carry-over of cotton on August 1, 1947 will be much smaller than the 7.52 million bales on hand this August 1.

#### THE DOMESTIC COTTON SITUATION

##### Market Strengthens Further

##### On Basis of August 8 Crop Report

After advancing from 31.44 cents a pound on July 1 to a high of 35.72 cents on July 19, the price of Middling 15/16-inch cotton at the 10 spot markets fell off to 31.71 cents on July 30. Thereafter, prices strengthened moderately until August 8 when the Department of Agriculture's first estimate of the 1946 cotton crop was released indicating a crop of 9,290,000 bales. Prices at the 10 spot markets then moved upward sharply to 36.04 cents a pound on August 9, a new high since the early twenties. Between August 9 and August 19, the price of Middling 15/16-inch cotton at the 10 spot markets has varied slightly but remained above 35.61.

On August 15, farmers received an average of 33.55 cents a pound for cotton, which represents an advance of 2.72 cents from July 15 and 12.22 cents from a year earlier.

Table 1.-Cotton: Price per pound; average received by U. S. farmers and average at 10 spot markets for specified grades and staples, 1943, 1944 and 1945.

Marketing year	Received by	Monthly Averages at 10 spot markets												
		farmers		Price		As a percentage of price		Price		As a percentage of price		Price		
		Cents	Cents	Percent	Cents	Percent	Cents	Percent	Cents	Percent	Cents	Percent	Cents	Percent
1943-44	Marketing	1/ 19.88	20.65	104	22.22	112	14.68	74	14.12	71				
1944-45	Marketing	1/ 20.73	21.86	105	23.40	113	15.64	75	14.97	72				
1945-46	Marketing													
	Aug.	21.33	22.38	105	23.87	112	15.45	72	15.05	71				
	Sept.	21.72	22.50	104	23.98	110	15.55	72	15.17	70				
	Oct.	22.30	23.13	104	24.62	110	16.02	72	15.69	70				
	Nov.	22.52	23.93	106	25.43	113	16.11	72	16.03	71				
	Dec.	22.84	24.51	107	25.92	113	16.17	71	16.24	71				
	Jan.	22.36	24.71	116	26.08	117	16.11	72	16.31	73				
	Feb.	23.01	25.84	112	27.19	119	16.94	74	17.17	75				
	Mar.	22.70	26.79	118	28.11	124	17.25	76	17.35	76				
	Apr.	23.59	27.70	117	28.98	123	17.83	76	17.74	75				
	May	24.09	27.44	114	28.72	119	17.13	71	17.16	71				
	June	25.98	29.15	112	30.47	117	18.89	73	18.93	73				
	July	30.83	33.40	108	34.30	111	22.84	74	22.81	73				
	Ave.	1/ 22.52	25.96	115	27.31	121	17.19	76	17.14	76				

1/ Weighted average of monthly data.

Farm price from "Agricultural Prices" published by BAE.

Prices at 10 spot markets from reports of Production and Marketing Administration.

Throughout most of the 1945-46 marketing season, the price received by farmers was low relative to the price of Middling 15/16 inch cotton largely because of the low average quality of marketings. In March, the price of Middling 15/16 inch cotton averaged 118 percent of the price received by farmers on March 15. By July this figure had fallen to 108 which was only 4 percentage points above the 1943-44 average. When monthly average prices of Strict Middling 1-1/16 inch, Good Ordinary 15/16 inch and Spotted Low Middling 7/8 inch during the 1945-46 season are compared with the price received by farmers, price movements similar to those noted for Middling 15/16 inch cotton but of lesser degree are observed. (See Table 1)

Ceiling prices on yarn and cloth were revised in early August in accordance with provisions of the Price Control Extension Act of 1946 which provides that:

"On and after the date of the enactment of this paragraph, it shall be unlawful to establish, or maintain, any maximum price applicable to manufacturers or processors, for any major item in the case of products made in whole or major part from cotton or cotton yarn or wool or wool yarn, unless the maximum price for such major item is fixed and maintained at not less than the sum of the following:

"(1) The cotton or wool cost (which must be computed at not less than the parity price or the current cost, whichever is greater, of the grade and staple of cotton or wool used in such item, delivered at the mill):

"(2) A weighted average of mill conversion costs; and

"(3) A reasonable profit (which shall not be less than a weighted average profit for each unit of such item equal to the weighted average of the profit earned on an equivalent unit of such item during the period 1939 to 1941, both inclusive)."

Ceilings on fine cottons were raised approximately 13 percent while ceiling price increases on other major types of cloth averaged about 17 percent.

#### Final 1946 Loan Program Announced

On July 31, the Secretary of Agriculture announced the loan rate and location differentials under the 1946 cotton-loan program. The announced loan rate for Middling 7/8 inch cotton, gross weight, is 22.83 cents a pound which is 92-1/2 percent of the August 1, 1946 parity price, and compares with an average loan rate last year of 19.84 cents a pound for similar cotton. The 1946 loan rate for Middling 15/16 inch cotton is 24.38 cents a pound, 155 points above the average rate for 7/8 inch Middling cotton. This differential is in accordance with the schedule of premiums and discounts for grade and staple applicable in the 1946 loan program which was announced on May 28, 1946. (This schedule was published on page 12 of the June-July Cotton Situation). After adjustments for location differentials, rates under the 1946 loan program range from a high of 24.94 cents a pound for Middling 15/16 inch cotton, gross weight, in the concentrated mill area of the Carolinas to a low of 23.69 cents in Arizona and California. Location differentials are based on actual freight rates to the mill area of the Carolinas, except in eastern Tennessee, Virginia, North Carolina, South Carolina, Georgia, Florida and Alabama where a zone system, reflecting average freight differentials, is in effect. A schedule, published on page 19 of this report shows the variation in loan rates by counties for the zone area.

#### August 8 Report Places 1946 Crop at 9,290,000 Bales

The August 8 estimate of the 1946 cotton crop was 9,290,000 bales of 500 pounds, gross weight, (the equivalent of about 9,050,000 running bales). This estimate exceeds the 1945 crop of 9,015,000 bales of 500 pounds gross weight by only 3 percent and is 31 percent below the 1935-39 average. Though a very few private reports placed the crop below the Department of Agriculture's estimate, most private reports had placed the crop considerably higher. Wet weather during the planting season held the acreage below earlier intentions, thinned stands, and retarded early plant growth. Poor seed and the cleaning of excess grass from the fields also contributed to the reduced stand. In Texas and Oklahoma late July drought conditions contributed to extensive shedding of early planted cotton.

and a checking of the growth of late cotton. In contrast, in Louisiana and Mississippi, heavy and frequent rains reduced August 1 crop prospects. Boll weevils continue to be a serious threat in the Central and Eastern parts of the Belt.

Mill Consumption Totals 9.2 Million  
Bales for the 1945-46 Year

The Bureau of the Census reported on August 21 that mill consumption of all kinds of cotton totaled 9,166 thousand bales during the 1945-46 marketing season which compares with 9,568 thousand bales consumed in the 1944-45 season. If the daily rate of mill consumption in July (using the Federal Reserve Board figure of 22 working days) is converted to an annual basis it amounts to 8.5 million bales. Actually, however, 22 days were not worked as a great number of the mills were shut down for all or a large part of the July 4th week in order (1) to give employees a longer holiday, (2) to make needed repairs and (3) to clean up the mills. The Civilian Production Administration estimates that cloth production in the week ending July 6 totaled less than one-fourth the weekly rate for the remainder of the month. If it is assumed on the basis of the CPA cloth production data, that mills averaged about 1-1/2 days of operations during the week ended July 6, the daily rate of mill consumption in July, converted to an annual basis, amounts to about 9.5 million bales which compares with the June rate of 10.1 million bales and actual consumption of 9.2 million bales during the 1945-46 marketing season.

Cotton Consumption in World War II  
Much Lower Relative to Industrial  
Production than in World War I 1/

The relation between consumption of cotton<sup>2/</sup> and industrial production in World War II was considerably different from that in World War I. In the early part of both wars, changes in cotton consumption roughly paralleled changes in industrial production. While this parallel movement continued throughout most of the World War I period, it ended in April 1942 of the World War II period largely as a result of the more complete mobilization of labor and materials in support of other industry during World War II. Following April 1942, World War II cotton consumption fell off while industrial production continued upward to almost 250 percent of the 1938-39 level. Following VE Day, industrial production fell faster and farther than cotton consumption though cotton consumption started its decline prior to industrial production. By the end of World War II, cotton consumption bore about the same relationship to industrial production as at the end of World War I.

In World War I, a drop in industrial production in 1918 was preceded by a more extended drop in cotton consumption. Following the Armistice, cotton consumption rose sharply and then fell sharply. The general trend in cotton consumption was upward from March 1919 to June 1920 in a manner roughly parallel to industrial production but at a relatively lower level than had prevailed between 1914 and 1917. In July 1920, mill consumption started its sharp postwar decline which by December 1920 had carried mill consumption to a point below

1/ See June-July 1946 Cotton Situation for a comparison of prices received by farmers in World War I with World War II.

2/ As measured by the monthly daily rate of mill consumption of all kinds of cotton in the United States.

the 1913-14 level. As in the case of the less important 1918 slump, the decrease in cotton consumption preceded the decrease in industrial production. Similarly, in the upswing from the 1921 depression the recovery of cotton consumption preceded the recovery in industrial production.

Since late 1945, cotton consumption has been recovering more rapidly than industrial production. In view of the widespread work stoppages in early 1946 and the large deferred demand for such durables as automobiles, housing, and appliances, it is likely that industrial production will continue to advance beyond the January to July 1946 level. The very strong demand for consumer durables will probably cause industrial production to be high relative to cotton consumption, despite a strong demand for cotton textiles. Such a development would roughly parallel the March 1919 to June 1920 period which immediately preceded the large post-World War I slump in first cotton consumption and then industrial production.

Cotton Less Important in Fiber Consumption Since End of War

Table 2 indicates that consumption of cotton has been falling off in relation to the consumption of rayon and wool since the end of war. This decline is a continuation of the long-time trend which started in the early twenties, a trend which was reversed for a short period during the war.

Table 2.- Mill Consumption of Cotton, Rayon (inc. staple fiber) and Wool, United States, 1937, 1939, 1941 to date

Calendar year	Cotton	Rayon	Wool	Total	Percent of total consumption		
	: 1,000 : pounds	: 1,000 : pounds	: 1,000 : pounds	: 1,000 : pounds	Cotton	Rayon	Wool
1937	3,645,452	304,715	380,837	4,331,004	84.2	7.0	8.8
1939	3,628,530	458,711	396,504	4,483,795	80.9	10.2	8.9
1941	5,191,471	591,837	647,967	6,431,275	80.7	9.2	10.1
1942	5,633,146	620,624	615,420	6,869,190	82.0	9.0	9.0
1943	5,270,638	656,066	624,104	6,550,808	80.5	10.0	9.5
1944	4,700,406	704,741	622,770	6,117,917	75.3	11.5	10.2
1945	4,522,490	767,500	645,133	5,935,123	76.2	12.9	10.9
1946							
1st 1/	4,654,028	833,200	729,600	6,216,828	74.9	13.4	11.7
2nd 2/	4,831,656	840,000	764,000	6,425,656	75.3	12.9	11.8

1/ Estimated first quarter consumption raised to an annual basis.

2/ Estimated second quarter consumption raised to an annual basis.

Rayon is deliveries of filament and staple fiber.

Per Capita Consumption of Cotton Now  
High in Relation to Prewar Levels

In 1939, the average annual per capita consumption<sup>1/</sup> of cotton, wool, and rayon amounted to 34.0 pounds. In 1942, the peak year, consumption of the same three fibers amounted to 50.7 pounds. By the second quarter of 1946, the estimated annual rate of consumption of these three fibers amounted to 45.7 pounds per capita, 34.4 percent greater than 1939. A part of the increase in per capita consumption of fibers at present compared with 1939 represents further use associated with the higher level of industrial activity; still another part represents increased consumption by people whose incomes are more adequate than in prewar years. A third and significant part of the increase is going (1) to meet deferred consumer demands and (2) to fill depleted manufacturers' and dealers' inventories, both of which resulted from curtailment of textile production and large military procurements during the war. As deferred requirements for textiles are probably not as large as for such war items as automobiles, housing, refrigerators, and the like, cotton consumption may not be maintained at its present level relative to industrial production and consumer incomes.

Broad Woven Goods Account for  
An Increasing Proportion of  
Cotton Consumption

During the war, a decrease occurred in the proportion of total cotton consumed which was used in the production of broad woven goods. This decrease was a result of the relatively greater use of cotton for the total of such goods as tire cord and fabrics, knit goods, cordage and twine, surgical pads, batts, and insulation. Preliminary second quarter 1946 production data indicate that the proportion of cotton consumed in the production of broad woven goods has not increased. The proportion of cotton being used for other purposes can be expected to remain higher than in 1937 as the result of (1) the additional uses program, which may funnel well over 100,000 bales of cotton into the production of automotive batts, insulation and fine paper during this calendar year and (2) the greater proportional importance of cotton tire cord in the cotton consumption picture in 1946 compared with 1937.

Important Adjustments in Production of  
Broad Woven Goods

Within the broad woven goods category, adjustments to postwar proportions are being carried out. Production of quick has fallen from its war peak of 5.5 percent of the total of broad-woven goods to 2.6 percent in the second quarter of 1946, about the same as in 1937. Production of narrow sheeting fabrics had also fallen from a peak of 27.1 percent to 24.5 percent of the total in the second quarter of 1946, compared with 18.4 percent in 1937. On the other hand, production of print-cloth-yarn fabrics, colored-yarn fabrics, wide cotton fabrics, and napped fabrics amounted to 49.4 percent of the total in 1942 and 49.3 percent in the second quarter of 1946, which compares with 59.3 percent in 1937. Larger proportions of broad-woven goods production than in 1937 are now being devoted to the production of fine goods and specialties. The larger proportionate production of fine goods and specialties probably represents an adjustment to the higher level of postwar incomes rather than any maladjustment in production holding over from the war, though ceiling price differentials may be exerting some influence.  
 1/ As measured by mill consumption in the case of cotton and wool; deliveries, and adjusted for exports and imports, in the case of rayon.

Table 3.-Cotton Broad Woven Goods: Production by Types and as a Percentage of Total, United States, calendar years, 1937, 1939, 1941-46

Type of Fabric	1937	1939	1941	1942	1943	1944	1945	1st Quarter 1946	2nd Quarter 1946
	Million yards	Million yards							
	Linear yards	Linear yards							
Cotton Broad Woven Goods Total:	8,661.5	8,287.3	10,432.0	11,108.3	10,573.3	9,546.7	8,711.8	9,068.4	9,184.4
Duck	223.5	174.0	338.1	606.3	550.5	431.9	444.3	244.0	237.6
Narrow sheeting fabrics	1,593.3	1,585.0	2,110.0	2,722.8	2,869.5	2,467.5	2,258.6	2,174.0	2,230.0
Print-cloth-yarn fabrics	3,264.3	2,999.4	3,530.4	3,644.9	3,298.1	3,078.1	2,807.4	2,950.0	2,905.2
Colored-yarn fabrics	797.7	683.7	909.7	770.4	696.5	662.6	517.9	591.2	623.2
Wide cotton fabrics	554.4	557.5	679.3	640.0	566.4	534.4	495.7	534.5	561.8
Fine cotton goods	1,045.5	1,036.2	1,270.1	1,423.5	1,335.7	1,209.2	1,128.2	1,258.0	1,259.6
Napped fabrics	522.4	451.4	535.1	437.2	446.8	440.0	447.2	434.8	434.8
Towels and similar goods	382.8	482.6	531.4	441.7	416.7	342.6	352.0	400.4	424.3
Specialties and all others	277.6	317.5	527.9	421.5	373.1	380.4	312.0	465.3	474.4
Percentage each type is of total production									
Cotton Broad Woven Goods Total:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Duck	2.6	2.1	3.2	5.5	4.5	5.2	4.5	5.1	2.6
Narrow sheeting fabrics	18.4	19.1	20.2	24.5	25.3	25.9	24.0	24.3	24.3
Print-cloth-yarn fabrics	37.7	36.4	33.9	32.8	32.3	31.4	32.3	31.7	31.7
Colored-yarn fabrics	9.2	8.7	8.2	6.9	6.9	6.6	6.5	6.5	6.8
Wide cotton fabrics	6.4	6.7	6.5	5.8	5.5	5.7	5.9	5.9	6.1
Fine cotton goods	12.1	12.5	12.2	12.8	12.6	12.7	13.0	13.9	14.0
Napped fabrics	6.0	5.4	5.1	3.9	4.2	4.6	4.5	4.9	4.7
Towels and similar goods	4.4	5.2	5.1	4.0	3.9	4.0	4.0	4.0	4.6
Specialties and all others	3.2	3.8	5.1	4.0	3.6	3.9	3.5	3.5	5.2

Production raised to annual basis.

Compiled from reports of the Bureau of the Census.

An important development, from the standpoint of cotton consumption, is the shift from heavier to lighter cloths since the peak of the war. Using constant conversion factors for each of the nine categories <sup>1/</sup> of broad-woven goods listed in table 3, the raw cotton equivalent of the annual rate of broad-woven goods production in the second quarter of 1946 amounts to 73.1 percent of the peak consumption in 1942. If a similar comparison is made on the basis of linear yards, production in the second quarter of 1946 amounts to over 82.7 percent of the 1942 peak. In the period ahead, results of this shift will reduce cotton consumption below its wartime relationship with cloth production.

The adjustments in broad woven goods production provide some indication as to what categories of cloth may be accumulating in the hands of dealers and manufacturers. In the first quarter of 1946, the annual rate of print-cloth, colored-yarn goods and napped goods production was below the 1937 level and, though production of part of these cloths has expanded since the first quarter, it is unlikely that significant inventories of these cloths have accumulated. On the other hand, first quarter production of narrow-sheeting fabrics, fine cotton goods, and specialties, converted to an annual basis, exceeded 1937 production by from 20 to 69 percent and the current trend in production of duck and narrow-sheeting fabrics is downward--thus, inventories of some of these cloths could be accumulating. Such reasoning, however, is not conclusive as shortages evidently exist in the supply of light duck available for the manufacture of cotton-picking bags. Textiles may have been held off the market in anticipation of possible increases in textile ceilings in line with advances in raw cotton prices.

Foreign and certain domestic needs for both textiles and yarns continue so large for the third quarter of 1946 that CFA has established set-asides. Export set-asides amount to 8.3 percent of estimated cloth production and 5.2 percent of the sales yarn production. Set-asides for certain domestic uses amount to 39.2 percent of estimated cloth production and 69.9 percent of the sales yarn production. Domestic cloth set-asides are primarily for such purposes as industrial and agricultural uses, bagging, M-328B rated programs and apparel cotton components. Yarn set-asides are for production of knit goods, industrial fabrics and agricultural fabrics.

The Civilian Production Administration, in its monthly report dated July 29, estimated that third quarter production of broad woven goods would total about 2,240 million yards. On the basis of weekly cloth production data for July, the CPI estimate may be a little high. Assuming an increase in cloth production during the fourth quarter, production of cloth for the year may total nearly 9.2 billion yards.

The Office of War Manpower and Reconversion estimated in its second quarter report dated July 1 that demand for textiles exceeded supply by about 20 percent<sup>2/</sup> which indicated that consumers would have taken broad woven goods at an annual rate of about 11.2 billion yards under second quarter conditions. Since the second quarter, however, textile prices have continued to advance and <sup>1/</sup>had conversion factors been used for each of the kinds of cloth within the nine categories, the conclusions of this paragraph probably would be strengthened further.

<sup>2/</sup>Presumably at second quarter prices.

some inventories of some types of cloth which may have been accumulated in the hands of dealers and manufacturers in anticipation of price advances may start moving into channels of distribution.

Carry-over, August 1 Amounts to 7.52  
Million Bales; Prospective Supplies  
Smallest Since 1927

The Bureau of the Census reported on August 21 that 7.5 million bales of United States and foreign cotton were on hand in the United States as of August 1. Of this quantity 7.37 million bales were United States cotton and .15 million were foreign. The total carry-over is 3.64 million bales below the carry-over on August 1, 1945, and is the lowest since 1937. The carry-over this August 1 contains .17 million bales of early ginned cotton from the 1946 crop while the carry-over August 1, 1945, contained .13 million bales of similar cotton from the 1945 crop.

The August 1, 1946 carry-over added to the prospective 1946 crop of 9,050 thousand running bales places 1946-47 supplies (excluding imports) at 16.57 million bales, 3.40 million bales below last season and the lowest since 1927.

It is too early to have reliable information as to the quality of this year's crop as much depends on weather, boll weevil damage, and the availability of labor during the picking season. Though the carry-over August 1 contains a considerable proportion of poor-quality cotton, the percentage distribution may not be greatly different from that on August 1, 1945, owing to export and additional uses programs which have stimulated and maintained disappearance of poor quality cotton. Assuming an average quality crop, the quantity of Middling and of high grade cotton available this season will be much smaller than that of the 1945-46 marketing season, because of the smaller carry-over.

1946 Calendar Year Mill  
Consumption May Amount to  
9.7 Million Bales

Mill consumption of all kinds of cotton this calendar year may total as much as 9.7 million bales. This figure is derived from (1) estimates of cloth production through October, (2) mill consumption through July; and (3) the government's program to stimulate the use of cotton for insulation, automotive batts and fine quality paper. At this level, consumption for the first half of this marketing season may total 4.9 million bales. The situation in the last half of the 1946-47 marketing year (February through July 1947) is more uncertain.

Exports Continue Strong

Exports for the 1945-46 marketing season totaled 3,531 thousand bales. Of the 410 thousand bales exported in June, 136 thousand bales went to Japan under the special export program. Though export data by individual countries are not available for July, a large volume of cotton also moved to Japan in July.

Future foreign takings of American cotton will be influenced to an important degree by U. S. Government programs. These include: (1) the special

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arrangements with Japan and Germany, (2) the activities of UNRRA, (3) the extension of Export-import Bank loans to such importers as China, Finland, Czechoslovakia, Italy, and the Netherlands, (4) the export payments, and (5) the British loan. Any lend-lease exports which may be made during the 1946-47 crop year will be small residual shipments holding over from earlier commitments. In contrast, 1945-46 lend-lease exports amounted to more than three-quarters of a million bales though final data are not yet available. The British loan will have a favorable effect on exports to the United Kingdom and the sterling area; however, its effects will tend to be offset by the existence of large British holdings of cotton in Brazil, holdings which are more accessible this season than last. Also, other foreign cottons are expected to move in larger volume than last year.

CCC estimates that it shipped 2.4 of the 3.5 million bales of cotton exported during the 1945-46 crop year. These CCC shipments were approximately as follows: for UNRRA .8 million bales of cotton, under lend-lease and cash purchase 1.1 million bales of cotton, in connection with the special Japanese and German export programs .5 million bales of cotton, and shipments for the army of less than .1 million bales. As of August 1, 1946, the CCC had requisitions on hand from similar sources totaling about three-quarters of a million bales. Further, sales and consignments registered with CCC on August 1 under the cotton export program for shipment after August 1 total 1.1 million bales. This total of over 1.8 million bales does not include all the cotton which will be exported during the entire 1946-47 crop year--it represents instead the number of bales of cotton which are likely to be exported under August 1 arrangements. Other arrangements will be made as the year progresses. While it is too early to accurately forecast total exports for the 1946-47 season, it appears that they are not likely to exceed the 3.5 million bales exported this last season and are more likely to be less than that quantity.

August 1, 1947, Carry-over  
Will Be Significantly Lower

United States supplies of cotton (including assumed imports of 300,000 bales) for the 1946-47 crop year are indicated at 16.87 million bales and total disappearance is expected to be in the neighborhood of the 12.76 million bales which disappeared in 1945-46. As a result, the domestic carry-over of cotton August 1, 1947, will be substantially below the 7.52 million carry-over on hand this August 1.

Table 4.—Index of Cotton Consumption, (adjusted for seasonal variation), United States, by months, Jan. 1919 to date

Year:	1935-39 = 100												Simple Aver- age
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	
1918:	---	---	---	---	---	94	82	78	84	84	85	90	---
1919:	91	89	98	95	93	102	98	97	100	97	96	94	96
1920:	87	83	75	60	54	65	74	73	73	78	80	78	73
1921:	82	89	92	96	95	90	87	86	83	85	90	92	89
1922:	96	91	95	103	99	97	100	101	102	107	105	99	100
1923:	96	95	91	91	87	92	86	82	81	73	69	71	85
1924:	74	80	89	90	94	97	98	97	101	97	93	97	92
1925:	93	89	93	97	101	99	100	101	98	95	98	96	97
1926:	101	105	101	100	104	101	104	110	107	113	122	124	108
1927:	120	115	109	107	101	98	98	95	93	99	97	93	102
1928:	99	96	103	105	105	107	107	107	107	115	112	109	106
1929:	107	104	106	95	87	93	89	86	90	83	78	75	91
1930:	70	72	74	76	75	75	78	81	86	84	84	86	78
1931:	85	83	79	77	77	77	78	78	64	60	60	58	73
1932:	75	89	89	87	83	81	80	79	85	107	129	125	92
1933:	108	93	87	82	70	83	86	90	91	89	70	73	85
1934:	77	58	86	85	83	90	87	83	80	80	77	76	80
1935:	78	84	90	93	93	97	93	91	99	97	102	112	94
1936:	114	112	113	114	124	122	121	122	124	125	125	118	120
1937:	114	107	95	84	74	76	78	81	74	76	81	96	86
1938:	101	95	99	103	105	103	103	102	103	103	106	111	103
1939:	114	117	119	124	127	120	115	108	107	109	114	121	116
1940:	123	119	126	139	142	144	152	156	161	165	160	162	146
1941:	159	157	161	167	155	169	174	169	177	175	169	166	166
1942:	169	171	172	171	163	172	172	166	166	169	160	153	167
1943:	147	156	157	153	142	150	151	151	151	142	141	139	148
1944:	140	148	140	149	146	145	152	150	143	142	144	123	144
1945:	123	138	128	133	125	138	146	147	144	149	152	127	138
1946:													

Compiled from reports of the Federal Reserve Board.

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Table 5.-Cotton: Acreage, production, yield, by States, United States, 1940-46

State	Acreage harvested			Production			Yield		
	Av.		Av.	Av.		Av.	Av.		Av.
	1940-44	1945	1/	1940-44	1945	1/	1940-44	1945	1/
	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000	: 1,000
	: acres	: acres	: acres	: bales 4/	: bales 4/	: bales 4/	: Lb.	: Lb.	: Lb.
Missouri .....	403	260	306	397	161	310	470	331	486
Virginia .....	34	19	20	28	16	16	394	397	384
North Carolina :	813	555	573	665	428	485	393	369	406
South Carolina :	1,154	965	943	726	664	670	302	330	341
Georgia .....	1,687	1,250	1,226	829	669	640	239	257	251
Florida .....	52	23	22	17	8	7	159	176	161
Tennessee .....	698	590	595	557	466	550	384	379	444
Alabama .....	1,691	1,400	1,498	892	931	900	258	319	285
Mississippi ....	2,418	2,240	2,386	1,684	1,559	1,250	335	334	251
Arkansas .....	1,933	1,500	1,632	1,386	1,042	1,270	341	333	374
Louisiana.....	1,019	850	887	544	367	290	259	219	157
Oklahoma .....	1,643	1,035	1,073	649	285	310	188	126	139
Texas .....	7,840	5,900	6,198	2,879	1,794	1,900	176	146	147
New Mexico ....	116	116	114	114	106	116	475	436	455
Arizona .....	213	154	144	167	117	131	375	363	437
California ....	329	317	357	404	353	431	576	535	579
All other 5/ ...	19	17	17	19	9	14	445	260	362
United States .:	22,072	17,241	17,991	11,957	9,015	9,290	261	251	245

Compiled from reports of the Crop Reporting Board.

1/ Area in cultivation July 1, 1946, less 10 year average abandonment from natural causes.

2/ Production as indicated on August 1.

3/ Indicated on August 1, on area in cultivation July 1 less 10 year average abandonment.

4/ Bales of 500 pounds gross weight.

5/ Includes Illinois, Kansas and Kentucky.

Table 6. Loan Program for 1946 crop of cotton; loans Rates  
For the Zoned Areas

I. DESIGNATED MILL AREA:

- North Carolina: All counties west Granville, Wake, Harnett, Hoke, and Scotland.
- South Carolina: All counties west of Marlboro, Darlington, Lee, Sumter, Calhoun, Orangeburg, and Barnwell.

II. ZONED AREA BASED ON MILL AREA:

Areas in which loan rate is 5 points less than in Mill Area.

- North Carolina: All counties east of Person, Durham, Chatham, Lee, Moore, and Richmond.

- South Carolina: All counties east of Chesterfield, Kershaw, Richland, Lexington, and Aiken.

- Virginia: All counties

Areas in which loan rate is 9 points less than Mill Area.

- Georgia: All counties east of Union, Lumpkin, Dawson, Forsythe, Gwinnett, Walton, Morgan, Putnam, Hancock, Glascock, Jefferson, and Burke.

Areas in which loan rate is 14 points less than Mill Area.

- Georgia: All counties, except Dade and counties in Zone with 9 points less than mill area, north of Stewart, Webster, Sumter, Dooly, Wilcox, Telfair, Wheeler, Montgomery, Toombs, Tattnall, Evans, and Bryan.

Areas in which loan rate is 19 points less than Mill Area.

- Georgia: All counties south of Chattahoochee, Marion, Schley, Macon, Houston, Pulaski, Dodge, Laurens, Treutlen, Emanuel, Candler, Bulloch, Effingham, and Chatham and north of Quitman, Randolph, Calhoun, Baker, Mitchell, Colquitt, Cook, Berrien, Atkinson, Ware, Pierce, Brantley, and Glynn.

Areas in which loan rate is 22 points less than Mill Area.

- Tennessee: All countries east of Marion, Sequatchie, Bledsoe, Cumberland, Morgan, and Scott.

- Georgia: County of Dade.

- Alabama: All counties east of De Kalb, Marshall, Blount, St. Clair, Shelby, Coosa, Elmore, Macon, Bullock, and Barbour.

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Areas in which loan rate is 24 points less than Mill Area.

Georgia: All counties south of Stewart, Webster, Terrell, Dougherty, North Tift, Irwin, Coffee, Bacon, Appling, Wayne, and McIntosh.

Florida: All counties east of Jackson, Liberty, and Franklin.

Areas in which loan rate is 28 points less than Mill Area.

Tennessee: Counties of Marion, Sequatchie, Grundy, Bledsoe and Cumberland.

Alabama: Counties of De Kalb, Marshall, Blount, St. Clair, Shelby, Coosa, Elmore, Maco, Bullock, and Barbour.

Areas in which loan rate is 34 points less than Mill Area.

Tennessee: Counties of Franklin, Coffee, Warren, Van Buren, White, Putnam, and Overton.

Alabama: Counties of Madison, Jackson, Morgan, Cullman, Jefferson, Bibb, Chilton, Autauga, Montgomery, Pike, Coffee, Dale, Henry, Geneva, and Houston.

Florida: Counties of Bay, Calhoun, Gulf, Holmes, Jackson, Washington, Liberty and Franklin.

Areas in which loan rate is 40 points less than Mill Area.

Tennessee: Counties of Lincoln, Giles, Moore, Bedford, Marshall, Rutherford, Cannon, De Kalb, and Wilson.

Alabama: Counties of Limestone, Lawrence, Winston, Walker, Fayette, Tuscaloosa, Hale, Perry, Dallas, Lowndes, Butler, Crenshaw and Covington.

Florida: County of Walton.

Areas in which loan rate is 46 points less than Mill Area.

Tennessee: Counties of Lawrence, Wayne, Lewis, Perry, Hickman, Humphreys, Dickson, Davidson, Williamson, and Maury.

Alabama: Counties of Lauderdale, Colbert, Franklin, Marion, Lamar, Pickens, Greene, Sumter, Marengo, Choctaw, Wilcox, Monroe, Clarke, Washington, Escambia, and Conecuh.

Florida: County of Okaloosa.

Areas in which loan rate is 50 points less than Mill Area.

Alabama: Counties of Mobile, and Baldwin.

Florida: Counties of Escambia and Santa Rosa.



